Georox Resources Inc.

Condensed Interim Financial Statements

March 31, 2018 and 2017

(in Canadian dollars)

The accompanying unaudited condensed interim consolidated financial statements of the Corporation have been prepared by and are the responsibility of the Corporation's management.

The Corporation's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of the condensed interim financial statements by an entity's auditor.

GEOROX RESOURCES INC.
Statements of Financial Position
As at March 31,

	Note	2018	2017
Assets			
Current assets			
Cash and cash equivalents		**$ -**	$ 125,618
Trade and other receivables	14	**282,820**	197,813
Investments	7	**3,414**	3,414
Inventory		**15,357**	29,884
Total current assets		**301,591**	356,729
Non-current assets			
Property and equipment	5	**7,132,541**	6,699,220
Exploration and evaluation assets	6	**-**	-
Total assets		**$ 7,434,132**	$ 7,055,949
Liabilities			
Current liabilities			
Bank indebtedness		**$ 5,544**	$ -
Credit facilities	15	**$ 5,384,776**	$ 5,269,776
Trade and other payables	8	**2,581,841**	2,276,006
Derivative liability	15	**15,391**	15,391
Total current liabilities		**7,987,552**	7,561,173
Non-current liabilities			
Provision for decommissioning	9	**1,362,716**	1,327,194
Total liabilities		**$ 9,350,268**	$ 8,888,367
Going concern	2		
Commitments and contingencies	18		
Subsequent events	19		
Shareholders' deficiency			
Common shares	10(b)	**$ 10,243,391**	$ 10,243,391
Share purchase warrants	10(d)	**311,126**	311,126
Contributed surplus		**3,123,217**	3,120,034
Cash advances for shareholders equity		**90,000**	-
Accumulated other comprehensive loss		**(14,013)**	(14,013)
Deficit		**(15,669,857)**	(15,492,956)
Total shareholders' deficiency		**(1,916,136)**	(1,832,418)
Total shareholders' deficiency and liabilities		**$ 7,434,132**	$ 7,055,949

Approved and authorised by the Board of Directors

Signed "Burkhard Franz", Director

Signed "Lorraine McVean", Director

The accompanying notes are an integral part of these financial statements.

GEOROX RESOURCES INC.
Statements of Income (Loss) and Comprehensive Income (Loss)
For the three months ended March 31,

	Note	***2018***	*2017*
Revenue			
Petroleum and natural gas		**388,194**	517,707
Royalties		**(13,252)**	(45,045)
		374,942	472,662
Expenses			
Operating		**175,819**	286,939
Depreciation, depletion and impairment	5,6	**136,307**	152,257
Stock-based compensation	10(c)	**3,183**	11,063
General and administrative		**99,856**	149,993
		415,165	597,252
Operating loss		**(40,223)**	(124,590)
Finance expense	11	**(136,678)**	(117,244)
Gain on extinguishment of credit facility	15	**-**	-
Loss on sale of investment	7	**-**	-
Gain on disposition of property and equipment	5	**-**	-
Net income (loss) for the period		**(176,901)**	(241,834)
Other comprehensive income (loss)			
Net change in fair value of available for sale financial assets	7	**-**	(3,000)
Other comprehensive income (loss) for the period		**-**	-
Total comprehensive loss for the period		**(176,901)**	(244,835)
Loss per share			
Basic and diluted	16	**(0.01)**	(0.04)

The accompanying notes are an integral part of these financial statements.

GEOROX RESOURCES INC.
Statements of Changes in Shareholders' Equity (deficiency)

	Common Shares							
	Number	***Amount $***	***Warrants $***	***Contributed surplus $***	***Accumulated other comprehensive loss $***	**Cash advances for shareholders' equity $**	***Deficit $***	***Total Shareholders' Equity (Deficiency) $***
Balance, December 31, 2016	22,973,895	10,106,434	214,963	3,083,690	(11,013)	-	(13,528,035)	(133,961)
Stock-based compensation (Note 10 (c))	-	-	-	11,063	-	-	-	11,063
Net change in available for sale investments (Note 7)	-	-	-	-	(3,000)	-	-	(3,000)
Net loss for the period	-	-	-	-	-	-	(369,197)	(369,197)
Balance, March 31, 2017	26,372,311	10,243,391	214,963	3,094,753	(14,013)	-	(13,769,869)	(1367,732)
Balance, December 31, 2017	26,372,311	10,243,391	311,126	3,120,034	(14,013)	-	(15,492,956)	(1,832,418)
Stock-based compensation (Note 10 (c))	-	-	-	3,183	-	-	-	3,183
Cash advances for shareholders' equity	-	-	-	-	-	90,000	-	90,000
Net loss for the year	-	-	-	-	-	-	(176,901)	(176,901)
Balance, March 31, 2018	26,372,311	10,243,391	311,126	3,120,034	(14,013)	90,000	(15,669,857)	(1,916,136)

The accompanying notes are an integral part of these financial statements.

GEOROX RESOURCES INC.
Statement of Cash Flows
For the three months ended March 31,

	Note	***2018***	*2017*
Cash provided by (used in) the following:			
Operating activities			
Net loss for the period		**$ (176,901)**	$ (241,834)
Adjustments for non-cash items:			
Stock-based compensation	10(c)	**3,183**	11,063
Depreciation, depletion and impairment	5,6	**136,307**	152,257
Finance expense – provision for decommissioning	11	**6,238**	4,596
Finance expense – accretion of credit facilities	11	**-**	-
Gain on disposal of property and equipment	5	**-**	-
Loss on sale of investments	7	**-**	-
Gain on derivative revaluation	11	**-**	-
Gain on extinguishment of credit facility	15	**-**	-
Shares issued for compensation	10(b)	**-**	-
Non-cash additions to credit facilities	15	**-**	-
		$ (31,173)	$ (73,918)
Changes in non-cash working capital balances:			
Change in trade and other receivables		**(85,008)**	26,951
Change in inventory		**14,526**	8,634
Change in trade and other payables		**305,835**	61,882
Net cash flows provided by operating activities		**$ 204,180**	$ (23,549)
Investing activities			
Purchase of property and equipment	5	**(540,342)**	(23,296)
Cash	6	**-**	-
Proceeds on sale of investment	7	**-**	-
Change in non-cash working capital		**-**	-
Net cash flows used in investing activities		**$ (540,342)**	$ (23,296)
Financing activities			
Issue of common shares, net of issue costs	10(b)	**-**	-
Advances of Credit facilities	15	**-**	-
Repayment of Credit facilities	15	**(60,000)**	-
Advances of mezzanine financing	15	**175,000**	-
Cash advance for shareholders' equity	15	**90,000**	-
Net cash flows provided by financing activities		**$ 205,000**	$ -
Net decrease in cash and cash equivalents		**(131,162)**	253
Cash and cash equivalents, beginning of period		**125,618**	4,393
Cash and cash equivalents, end of period		**$ (5,544)**	$ 4646
Cash interest paid		**130,442**	113,658
Cash taxes paid		**-**	-

The accompanying notes are an integral part of these financial statements.

1. Nature of operations

Georox Resources Inc. (the "Corporation" or "Georox") was incorporated under the Canada Business Corporations Act on April 14, 2003. The Corporation is listed on the TSX-Venture Exchange and its primary business is the acquisition of, exploration for, and the development of petroleum and natural gas properties in Canada.

The address of the Corporation's registered office is Suite 1150, 707 – 7th Avenue SW, Calgary, Alberta, Canada, T2P 3H6.

These financial statements were approved for issuance by the Board of Directors on May 29, 2018.

2. Going concern

These financial statements have been prepared on a going concern basis, which implies the Corporation will continue to realize its assets and discharge its liabilities in the normal course of business. The Corporation has historically met its day to day working capital requirements and funded its capital and operating expenditures through funding received from the proceeds of share issuances and debt.

As of March 31, 2018, the Corporation has a working capital deficiency of $7,685,961 (March 31, 2017 – $6,614,706), and an accumulated deficit of $15,669,857 (March 31, 2017 – $13,769,869). There is a material risk that the Corporation will be unable to meet its financing obligations including payments of outstanding interest and principal balances on its Credit facilities (note 15) and as at March 31, 2018, the Corporation was in breach of all but one of its covenants (note 15). Management continually monitors the Corporation's financing requirements and, subsequent to year end, has entered into an agreement to acquire a working interest in producing properties (note 19) to fund its ongoing operations and assist in the repayment of debt. Management is engaged in discussions with existing shareholders and creditors on proposed transactions and agreements which would reduce anticipated cash outflows and provide the additional financing required to fund capital and operating expenditures, and to meet obligations as they fall due in the 12 months following March 31, 2018.

In September 2017, the Corporation initiated a waterflood project at the Red Earth CGU with the goal of significantly improving the production and economics of the CGU.

The timing and extent of forecast capital and operating expenditures is based on the Corporation's 2018 budget and on management's estimate of expenditures expected to be incurred beyond 2018.

Management has applied significant judgment in preparing forecasts supporting the going concern assumption. Specifically, management has made assumptions regarding projected oil sales volumes and pricing, scheduling of payments arising from various obligations as at March 31, 2018, the availability of additional financing, and the timing and extent of capital and operating expenditures. As such, there is a material uncertainty related to these events and conditions that may cast significant doubt on the Corporation's ability to continue as a going concern.

On September 8, 2017, the Corporation entered into a Forbearance Agreement and a Quitclaim with the Lender (note 15).

The Quitclaim provides for the transfer of title in the petroleum and natural gas assets and interests owned by the Corporation as satisfaction for all indebtedness and obligations to the Lender. In conjunction with the Quitclaim, the Corporation has also entered into a Forbearance Agreement that states that the Lender will refrain from enforcing the Quitclaim or any of the following rights until July 31, 2018:

- Terminate the Amended Credit Facilities;
- Cease to make available or extend any such Amended Credit Facilities;
- Accelerate payment of the Amended Credit Facilities; and,
- Appoint a receiver to manage the Corporation's assets.

The financial statements have been prepared on a basis which asserts that the Corporation will continue to have the ability to realize its assets and discharge its liabilities and commitments in a planned manner with consideration to expected possible outcomes. Conversely, if the assumption made by management is not appropriate and the Corporation is unable to meet its obligations as they fall due the preparation of these financial statements on a going concern basis may not be appropriate and adjustments to the carrying amounts of the Corporation's assets, liabilities, revenues, expenses, and balance sheet classifications may be necessary and such adjustments could be material.

3. Basis of presentation

a) Statement of compliance

These financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

b) Basis of measurement

The financial statements have been prepared on an historical cost basis, except as otherwise specified, as set out in the accounting policies below.

c) Presentation and functional currency

These financial statements are presented in Canadian dollars (unless stated otherwise), which is also the Corporation's functional currency.

d) Critical judgments, estimates and assumptions

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

The following discussion sets forth management's most critical judgements and estimates:

Judgments:

Exploration and evaluation assets

The Corporation is required to apply judgment when designating the nature of oil and gas activities as exploration, evaluation, development or production, and when determining whether the initial costs of these activities are capitalized.

Certain exploration and evaluation costs are initially capitalized with the intent to establish commercially viable reserves. Judgement is required to determine that the Corporation has obtained the right to explore, but has not yet determined proven reserves, therefore amounts remain in exploration and evaluation assets. The Corporation is required to make judgments about future events and circumstances and applies estimates to assess the economic viability of extracting the underlying resources. The costs are subject to technical, commercial and management review to confirm the continued intent to develop the project. Level of drilling success, or changes to project economics, resource quantities, expected production techniques, production costs and required capital expenditures, are important judgments when making this determination.

Determination of Cash Generating Units

A cash generating unit ("CGU") is defined as the lowest grouping of integrated assets that generate identifiable cash inflows that are largely independent of the cash inflows of other assets or groups of assets. The allocation of assets into CGUs requires significant judgment and interpretations with respect to the integration between assets, the existence of active markets, similar exposure to market risks, shared infrastructures, and the way in which management monitors the operations. Management has determined that the Corporation has three CGUs, namely Silverdale, Pouce Coupe, and Red Earth.

3. Basis of presentation *(continued)*

d) Critical judgments, estimates and assumptions *(continued)*

Deferred Taxes

Deferred tax assets are recognized when it is considered probable that deductible temporary differences will be recovered in the foreseeable future. To the extent that future taxable income and the application of existing tax laws in each jurisdiction differ significantly from the Corporation's estimate, the ability of the Corporation to realize the deferred tax assets could be impacted.

Deferred tax liabilities are recognized when there are taxable temporary differences that will reverse and result in a future outflow of funds to a taxation authority. The Corporation records a provision for the amount that is expected to be settled, which required the application of judgment as to the ultimate outcome. Deferred tax liabilities could be impacted by changes in the Corporation's judgment of the likelihood of a future outflow and estimates of the expected settlement amount, and the tax laws in the jurisdictions in which the Corporation operates.

Estimates:

Valuation of accounts receivable

The provision for doubtful accounts is reviewed by management on a monthly basis. Trade and other receivables are considered for impairment on a case-by-case basis when they are past due or when objective evidence is received that a customer will default. Management makes these assessments after taking into consideration the customer's payment history, their credit worthiness and the current economic environment in which the customer operates to assess impairment. The Corporation's historical bad debt expenses have not been significant and are usually limited to specific customer circumstances. However, given the cyclical nature of the oil and natural gas industry along with the current economic operating environment, a customer's ability to fulfil its payment obligations can change suddenly and without notice.

Decommissioning provisions

The Corporation recognizes liabilities for the future decommissioning and restoration of exploration and evaluation and development and production assets. Decommissioning provisions are estimated based on current legal and constructive requirements, technology, price levels and expected plans for remediation and are inflated to the date of decommissioning of the asset and discounted at a risk-free rate.

The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors including changes to relevant regulatory requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing and amount of expenditure can also change, for example in response to changes in reserves or changes in laws and regulations or their interpretation. As a result, there could be significant adjustments to the provisions established which would affect future financial results. Management applies judgment in assessing the existence and extent as well as the expected method of reclamation of the Corporation's decommissioning and restoration obligations at the end of each reporting period.

Depletion and valuation of production and development assets

Reserves estimates, although not reported as part of the Corporation's financial statements, can have a significant effect on net income, assets and liabilities as a result of their impact on depletion, deferred taxes, asset impairments and business combinations. The estimation of reserves and resources is an inherently complex process and involves the exercise of professional judgment. All reserves and resources have been evaluated at December 31, 2017 by independent qualified reserves evaluators in accordance with National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities. The reserves and resource estimates are based on the definitions and guidelines contained in the Canadian Oil and Gas Evaluation Handbook.

Oil and gas reserves and resources estimates are based on a range of geological, technical and economical factors, including projected future rates of production, projected future commodity prices, engineering data, and the timing and amount of future expenditures, all of which are subject to uncertainty. Estimates reflect market and regulatory conditions existing at December 31, 2017, which could differ significantly from other points in time throughout the year, or future periods. Changes in market and regulatory conditions and assumptions can materially impact the estimation of net reserves.

3. Basis of presentation *(continued)*

d) Critical judgments, estimates and assumptions *(continued)*

Stock options and warrants

The Corporation provides share-based awards to certain employees in the form of stock options. The Corporation follows the fair-value method to record share-based payment expense with respect to stock options granted. The fair value of each option granted is estimated based on the date of grant and a provision for the costs is provided for with a corresponding credit to reserves in shareholders' equity over the vesting period of the option agreement. Stock-based payment expense associated with options issued to employees, consultants, officers and directors of the Corporation are expensed. The consideration received by the Corporation on the exercise of share options is recorded as an increase to issued capital together with corresponding amounts previously recognized in reserves in shareholders' equity. Forfeitures are estimated for each tranche based on historical information and management estimates, and adjusted as required to reflect actual forfeitures that have occurred in the period. In order to record share-based payment expense, the Corporation estimates the fair value of share options granted using assumptions related to interest rates, expected lives of the options, volatility of the underlying security, forfeitures and expected dividend yields. Volatility is estimated based on historical volatility trends of the Corporation's own stock.

Fair value measurements

The estimated fair value of derivative instruments resulting in derivative assets and liabilities, by their very nature, are subject to measurement uncertainty. Estimates included in the determination of the fair value of derivative instruments include market share prices, interest rates, discount rates and volatility in those prices.

Impairment indicators and discount rate

The Corporation assesses its petroleum and natural gas ("P&NG") interests for possible impairment if there are events or changes in circumstances that indicate the carrying values of the assets may not be recoverable. Such indicators include changes in the Corporation's business plans, changes in commodity prices, evidence of physical damage and significant downward revisions to estimated recoverable volumes or increases in estimated future development expenditures.

The recoverable amounts of CGUs and individual assets have been determined as the greater of either an asset's or CGU's value in use or fair value less costs of disposal. These calculations require the use of estimates and assumptions and are subject to changes as new information becomes available including information on future commodity prices, quantity of reserves and discount rates as well as future development and operating costs. It is reasonably possible that the commodity price assumptions may change, which may impact the estimated life of the oil and natural gas reserves and the recoverable economical reserves and may require a material adjustment to the carrying value of oil and natural gas assets. The Corporation monitors internal and external indicators of impairment relating to its property and equipment, and exploration and evaluation assets.

Business combinations

Business combinations are accounted for using the acquisition method of accounting. The determination of fair value often requires management to make assumptions and estimates about future events. The assumptions and estimates with respect to determining the fair value of property and equipment and exploration and evaluation assets acquired generally require the most judgment and include estimates of reserves acquired, forecast benchmark commodity prices and discount rates. Changes in any of the assumptions or estimates used in determining the fair value of acquired assets and liabilities could impact the amounts assigned to assets, liabilities and goodwill (gain on acquisition). Future net earnings (loss) can be affected as a result of changes in future depletion or asset impairment.

Legal contingencies

The Corporation records provisions related to legal matters if it is probable that the Corporation will not be successful in defending the claim and if an amount can be reasonably estimated. Determining the probability of a claim being defended is subject to considerable estimation and judgment. Additionally, the potential claim is generally a wide range of figures and a single estimate must be made when recording a provision. Contingencies will only be resolved or unfounded when one or more future events occur. The assessment of contingencies involves significant judgment and estimates of the potential outcome of future events.

4. Significant accounting policies

These condensed interim financial statements have been prepared following the same accounting policies and methods of computation as the audited financial statements of the Corporation for the year ended December 31, 2017. The disclosures provided below are incremental to those included in the notes to the annual financial statements, have been condensed or omitted. These condensed interim financial statements should be read in conjunction with the annual financial statements and notes thereto in the Corporations' annual filings for the year ended December 31, 2017.

5. Property and equipment

Cost	***Petroleum and natural gas interests and equipment***	***Administrative assets***	***Total***
Balance at December 31, 2016	12,872,312	16,061	12,888,373
Additions	(210)	-	(210)
Change in decommissioning liability	23,390	-	23,390
Balance at March 31, 2017	15,296,475	16,061	15,312,536
Balance at December 31, 2017	13,310,524	16,061	13,326,585
Additions	539,985	-	539,985
Change in decommissioning liability	29,643	-	29,643
Balance at March 31, 2018	**13,880,152**	**16,061**	**13,896,213**
Accumulated depletion, depreciation and impairment			
Balance at December 31, 2016	5,954,188	16,061	5,970,249
Depletion, depreciation and impairment	152,257	-	152,257
Balance at March 31, 2016	6,106,445	16,061	6,122,506
Balance at December 31, 2017	6,611,304	16,061	6,627,365
Depletion, depreciation and impairment	136,307	-	136,307
Balance at March 31, 2018	**6,757,611**	**16,061**	**6,763,672**
Net book value at March 31, 2017	6,820,764	-	6,820,764
Net book value at December 31, 2017	6,699,220	-	6,699,220
Net book value at March 31, 2018	**7,132,541**	**-**	**7,132,541**

5. Property and equipment *(continued)*

Future capital expenditures of $3,480,800 (2016 - $4,478,800), as estimated by independent engineers, relating to the development of reserves have been included in costs subject to depletion.

For the year ended December 31, 2017, the Corporation recorded an impairment loss of $106,878 (December 31, 2016 - $Nil) on development and production assets in respect of the Silverdale CGU. The impairment in current year was primarily a function of reduced estimated reserve values due to the lower forecast benchmark commodity price.

The Corporation determined the recoverable amounts for its CGUs based on fair value less costs of disposal using independent reserve engineers. In determining the recoverable amount, the Corporation considered recent transactions within the industry, long-term views of commodity prices, externally evaluated reserve volumes, and discount rates specific to the CGU. The calculation of the recoverable amount is sensitive to the assumptions regarding production volumes, discount rates, operating costs structures and commodity prices. The fair value less costs of disposal estimates are categorized as Level 3 according to the IFRS 13 fair value hierarchy.

In computing the recoverable amount, future cash flows were adjusted for risks specific to the CGUs, reduced by a cost to sell of 2% (December 31, 2016 – 2%) and discounted using a discount rate of 15% (December 31, 2016 – 15%).

Short-term forecast benchmark commodity price assumptions reflect the volatility in crude oil and natural gas prices in recent periods. Long-term forecast benchmark commodity price assumptions tend to be stable as the short-term decreases in prices are not considered indicative of long-term price levels, but are nonetheless subject to change. The following table outlines the forecast benchmark commodity prices used in the impairment calculation of property and equipment at December 31, 2017:

	2018	***2019***	***2020***	***2021***	***2022***	***Increase thereafter***
Light Oil per BBL ($Cdn)	65.44	74.51	78.24	82.45	84.10	2.0%
Heavy Oil per BBL ($Cdn)	51.05	59.61	64.94	68.43	69.80	2.0%
Natural Gas ($Cdn)	2.85	3.11	3.65	3.80	3.95	2.0%

Changes in any of the key judgments, such as a downward revision in reserves, a decrease in forecast benchmark commodity prices, changes in foreign exchange rates, an increase in royalties or an increase in operating costs would decrease the recoverable amounts of assets and any impairment charges would affect net loss. A three percent increase in the assumed discount rate would result in an additional impairment expense of $2,000 for Silverdale CGU and no impairment for the other CGUs for the year ended December 31, 2017.

6. Exploration and evaluation assets

Balance at December 31, 2016	$	365,461
Impairment		4,500
Change in provision for decommissioning		1,973
Balance at March 31, 2017		409,771
Balance at December 31, 2017	$	-
Impairment		-
Change in provision for decommissioning		-
Balance at March 31, 2018	**$**	**-**

6. Exploration and evaluation assets *(continued)*

Exploration and evaluation assets ("E&E") are not subject to depletion, as they are in the exploration and evaluation stage, but are reviewed on a quarterly basis for any indication of impairment. As at December 31, 2017, the Corporation recorded impairment charges of $364,697 for the Meekwap property, (December 31, 2016 - $52,436 for the Virginia Hills property and $62,017 for the Swan Hills property) as the Corporation does not intend to pursue further exploration or development of this area.

7. Investments

		2018		*2017*
Investments				
Investment in high interest yield account	**$**	**3,414**	$	3,398
Common shares, Yorkton Ventures Inc.		**-**		21,000
	$	**3,414**	$	24,398

During the year ended December 31, 2017, 200,000 common shares were sold for proceeds of $17,087. A loss on sale of $3,898 was recorded.

The common shares held are recorded at fair value using quoted closing market prices at the statements of financial position date. During the three months ended March 31, 2018, the Corporation recorded an unrealized loss in the change in fair value of – $nil (March 31, 2017 - $3,000), which has been recorded in other comprehensive loss.

8. Trade and other payables

		2018		*2017*
Trade payables	**$**	**1,898,664**	$	1,305,672
Accruals and other accounts payable		**667,974**		491,733
GST/HST Payable		**15,203**		5,784
Total trade and other payable	**$**	**2,581,841**	$	1,803,189

Trade payables are non-interest bearing and are normally settled on 30 day terms.

9. Provision for decommissioning

The Corporation estimates the total inflation-adjusted undiscounted amount of cash flows required to settle its decommissioning liabilities, before salvage proceeds, at March 31, 2018 to be $1,608,087 (March 31, 2017 - $1,606,223) which will be incurred at various times over the next two to twenty years. The fair value of the decommissioning liability was calculated using risk free rates ranging from 1.76% to 2.20% and an inflation factor of 2.0% (March 31, 2017 – 0.75% to 2.1%, and 2% respectively). Settlement of the obligations will be funded from general corporate funds at the time of retirement. As at March 31, 2018, no funds have been set aside to settle these obligations (March 31, 2017 - $nil).

Balance at December 31, 2016	**$**	**1,319,704**
Changes in estimates and assumptions		31,473
Unwinding of discount		4,744
Balance at March 31, 2017	**$**	**1,355,772**
Balance at December 31, 2017	**$**	**1,327,195**
Changes in estimates and assumptions		29,283
Unwinding of discount		6,238
Balance at March 31, 2018	**$**	**1,362,716**

10. Share capital

(a) Authorized
Unlimited number of common shares

(b) Issued

	2018		*2017*	
	Number of Shares	*Amount*	*Number of Shares*	*Amount*
Balance, beginning of year	**26,372,311**	**$ 10,343,391**	22,973,895	$ 10,106,434
Balance, end of quarter	**26,372,311**	**$ 10,243,391**	22,973,895	$ 10,106,434

During the year ended December 31, 2017, the Corporation completed a non-brokered private placement of 3,044,570 units of the Corporation at a price of $0.07 per unit for aggregate gross proceeds of $213,120. Each unit consists of one Common Share of the Corporation and one half of a Common Share purchase warrant. Each warrant is exercisable for one Common Share at a price of $0.14 per Common Share for a period, to and including, May 22, 2019. The fair value of the 1,522,285 warrants, $96,163 was determined using the Black-Scholes option pricing model using the following assumptions: Risk-free rate 1.28%; Expected life of 1.8 years, expected volatility of 268%.

During the year ended December 31, 2017, the Corporation issued 200,000 Common Shares at a value of $10,000 and 153,846 Common Shares at a value of $10,000 for services rendered to the Corporation by a consultant. The shares were measured at the fair value of services received.

(c) Stock Options

The Corporation has a stock option plan for the purchase of common shares for its directors, officers, employees and other service providers. The aggregate number of common shares reserved for issuance under the plan will not exceed 10% of its issued and outstanding common shares. No one person shall be granted options representing more than 5% of the issued and outstanding common shares of the Corporation. The maximum number of shares which may be reserved for issuance to any consultant in any 12-month period shall be 2% of the shares issued and outstanding at the time of the grant. The maximum number of shares which may be reserved for issuance to investor relations employees in any 12-month period shall be 2% of the shares issued and outstanding at the time of the grant. The options are non-assignable and non-transferable and may be granted for a term not exceeding five years. The exercise price of the options is fixed by the Board of Directors of the Corporation and shall be determined on the basis of the market price of the shares at the time of grant, subject to all applicable regulatory requirements. Stock options granted under the Corporation's stock option plan cannot be traded.

10. Share capital *(continued)*

(c) Stock Options *(continued)*

During the quarter ended March 31, 2017, nil (2016 – nil) options were granted to directors of the Corporation. During the year ended December 31, 2017, 350,000 (December 31, 2016 – 1,000,000) options were granted to directors of the Corporation. For the options issued in 2017, 150,000 expire in 2 years, and 200,000 expire in 3 years. The 350,000 options granted in 2017 vest 1/3 immediately, 1/3 on June 30, 2018, and 1/3 on December 31, 2018. The 1,000,000 options granted in 2016 vest 1/4 immediately, 1/4 on April 7, 2017, 1/4 on October 7, 2017 and 1/4 on April 7, 2018. The fair value of the options granted was determined using the Black-Scholes option pricing model based on the following weighted average assumptions:

	2018	2017
Risk-free interest rate (%)	**1.54%**	0.72%
Weighted average expected life (years)	**2.6**	5
Expected volatility (%)	**187%**	153.98%
Expected dividend yield (%)	**-**	-
Weighted average fair value ($)	**0.06**	0.09
Forfeiture rate	**3%**	3%

A summary of the Corporation's option plan as of March 31, 2018 and March 31, 2017 and changes during the years are presented as follows:

	2018		*2017*	
	Number of options	***Weighted average exercise price ($/share)***	*Number of options*	*Weighted average exercise price ($/share)*
Balance, beginning of quarter	**1,350,000**	**0.09**	1,200,000	0.14
Granted	**-**	**-**	-	-
Expired	**-**	**-**	-	-
Forfeited	**-**	**-**	-	-
Balance, end of year	**1,350,000**	**0.09**	1,200,000	0.14

During the quarter ended March 31, 2018, stock-based compensation of $3,183 (March 31, 2017 - $11,063) was recorded relating to stock options vested during the current period.

As at March 31, 2018, the following options are outstanding:

	Options outstanding			**Options exercisable**	
Range of exercise price ($/share)	***Outstanding***	***Weighted average remaining contractual life***	***Weighted average exercise price ($/share)***	***Number exercisable***	***Weighted average exercise price ($/share)***
0.07 - 0.10	1,350,000	2.31 years	0.09	916,667	0.09

As at March 31, 2017, the following options are outstanding:

	Options outstanding			Options exercisable	
Range of exercise price ($/share)	*Outstanding*	*Weighted average remaining contractual life*	*Weighted average exercise price ($/share)*	*Number exercisable*	*Weighted average exercise price ($/share)*
0.10	1,200,000	3.35 years	0.14	450,000	0.13

10. Share capital *(continued)*

(d) Warrants

During the year ended December 31, 2017, the Corporation issued 1,522,285 share purchase warrants in connection with the July 27, 2017 private placement (note 10(b)). The warrants are each exercisable for one Common Share at a price of $0.14 per Common Share until May 22, 2019.

A summary of changes during the quarters ended March 31, 2018 and 2017 is as follows:

	March 31, 2018			March 31, 2017		
	Number		**Amount**	Number		Amount
Balance, beginning of year	**9,220,618**	**$**	**311,126**	1,369,433	$	214,963
Expired	**-**		**-**	(1,369,433)		-
Granted	**-**		**-**	7,698,333		-
Balance, end of year	**9,220,618**	**$**	**311,126**	7,698,333	$	214,963

11. Finance expense

		2018		*2017*
Interest expense	**$**	**(130,440)**	$	(112,648)
Unwinding of discount on provision for decommissioning (note 9)		**(6,238)**		(4,596)
Finance expense	**$**	**(136,678)**	$	(117,244)

12. Key management remuneration

Key management personnel include executive officers and non-executive directors. Executive officers are paid a salary and participate in the Corporation's stock option program. The executive officers include the Chief Executive Officer and Chief Financial Officer. Non-executive directors also participate in the Corporation's stock option program. Key management personnel compensation is comprised of the following:

		2017		*2017*
Salaries and short term benefits	**$**	**30,000**	$	30,000
Stock-based compensation		**3,183**		11,063
Total key management remuneration	**$**	**33,183**	$	41,063

For the three months ended March 31, 2018, 33,300 DSU's were granted (March 31, 2017, 112,500), with a fair value of $5,000 (March 31, 2017 - $5,625) which is included in general and administration expense. As at March 31, 2018, 463,278 DSU's (March 31, 2017 – 732,067), were outstanding and the fair value of the DSU's of $41,000 (March 31, 2017 - $56,000) is included in trade and other payables.

12. Key management remuneration*(continued)*

	2018 Number of DSU's	*2017 Number of DSU's*
Balance at December 31	**933,241**	619,567
Granted	**33,000**	112,500
Outstanding at March 31	**966,241**	732,067

13. Taxes

The provision for income tax differs from the amount that would have been expected if the reported earnings had been subject only to the Canadian statutory income tax rate of 26.50% (2016 – 26.50%).

	2017	*2017*
Loss from continuing operations	**$ (1,964,921)**	$ (1,964,921)
Expected tax recovery	**(520,704)**	(520,704)
Non-deductible expenses	**10,017**	10,017
Change in unrecognized tax benefits	**510,687**	510,687
Deferred tax recovery	**$ -**	$ -

The components of the unrecognized deductible temporary differences are as follows:

	2017	*2017*
Property, equipment, exploration and evaluation assets and provision for decommissioning	**$ 5,110,652**	$ 5,110,652
Non-capital losses	**5,838,839**	5,838,839
Net capital losses	**1,136,800**	1,136,800
Credit facilities and derivative liability	**235,066**	235,066
Share issue costs	**168,876**	168,876
Transaction costs	**63,119**	63,119
Unrecognized deductible temporary differences	**$ 12,553,352**	$ 12,553,352

13. Taxes *(continued)*

At December 31, 2017, the Corporation has approximately $5,838,839 (2016 - $5,158,729) losses available, which can be applied against taxable income in future years in Canada. The potential income tax benefits of these losses have not been recognized. The losses, if unutilized, will expire as follows:

Year	Amount
2026	$ 301,281
2027	732,730
2028	451,823
2029	154,942
2030	332,940
2033	7,047
2035	1,676,637
2036	1,501,329
	$ 5,158,729

At December 31, 2017, the Corporation has approximately $1,136,800 of net capital losses available, which can be applied against capital gains in future years in Canada. The potential income tax benefits of these losses have not been recognized. These losses do not have an expiry date.

14. Fair values and risk management

(a) Fair values

The Corporation's financial instruments consist of cash and cash equivalents, trade and other receivables, investments, trade and other payables, Credit facilities and derivative liability.

The fair value of cash and cash equivalents, trade and other receivables, trade and other payables and Credit facilities approximate their carrying value due to the short-term nature of those instruments.

The investments are recorded at fair value using quoted closing market prices at the statements of financial position date.

The fair value of the derivative liability is calculated using the Black-Scholes pricing model which is based on significant assumptions such as volatility of the market price of the Corporation's shares, the risk free interest rate (based on government of Canada Bonds), and the share price of the Corporation's stock at the measurement date.

The significance of inputs used in making fair value measurements are examined and classified according to a fair value hierarchy. Fair values of assets and liabilities are determined based on one of the following three hierarchies:

- Level 1 is determined by reference to quoted prices in active markets for identical assets and liabilities.
- Level 2 includes valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly and can be substantially observed or corroborated in the marketplace.
- Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

Cash and cash equivalents and investments are measured at fair value based on a Level 1 inputs.

The derivative liability is measured at fair value based on level 2 inputs. The Credit facilities had two components of value – a conventional financial liability and Common Share purchase warrants. Based on its terms disclosed in note 15, the Common Share purchase warrants meet the definition of a derivative and are classified as a financial liability through profit and loss.

14. Fair values and risk management *(continued)*

(b) Risk factors

The Corporation is exposed to financial risks arising from its financial assets and liabilities. The Corporation manages its exposure to financial risks by operating in a manner that minimizes its exposure to the extent practical. The main financial risks affecting the Corporation are:

(i) Credit risk

Credit risk is primarily related to cash and cash equivalents and accounts receivable from petroleum and natural gas property operators and joint venture partners and to the risk of financial loss if a partner or counterparty to a financial instrument fails to meet its contractual obligations. Cash and cash equivalents are held by major financial institutions. The Corporation makes allowance for doubtful accounts based on management's assessment of collectability. The allowance for doubtful accounts at March 31, 2018 was $134,830 (March 31, 2017 - $134,830). As at March 31, 2018, 55% (2017 - 92%) of accounts receivable relates to amounts due from marketers of the Corporation's oil and natural gas activities. The Corporation believes that its counterparties currently have the financial capacity to settle obligations in the normal course of business. Management will monitor the credit rating with its marketers to ensure no collection issues arise. Receivables from oil and natural gas marketers are normally collected on the 25th day of the month following production.

All of the Corporation's operations are currently conducted in Canada. The Corporation's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Significant changes in industry conditions and risks that negatively impact partners' ability to generate cash flow will increase the risk of not collecting receivables. Management believes the risk is mitigated by the size and reputation of the companies to which they extend credit.

As at March 31, 2018 and 2017, the Corporation's trade and other receivables were comprised of the following:

		2018		*2017*
Petroleum and natural gas sales	**$**	**156,548**	$	230,913
GST receivable and other		**126,272**		23,321
	$	**282,820**	$	251,234

As at March 31, 2018 and 2017, the Corporation's trade receivables relating to petroleum and natural gas sales and joint venture receivables are aged as follows:

		2018		*2017*
Current (0 to 30 days)	**$**	**106,603**	$	192,545
31 to 60 days		**5,676**		5,335
61 to 90 days		**14,853**		3,603
Past due but not impaired (over 90 days)		**25,149**		29,430
Total trade receivables	**$**	**152,281**	$	290,913

14. Fair values and risk management *(continued)*

(ii) Liquidity risk

The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet its financial liabilities when due. Management mitigates liquidity risk by maintaining banking and other borrowing facilities, continuously monitoring forecast and actual cash flows and actively seeking equity financing to assist with projected cash outflows. As of March 31, 2018, the Corporation has a working capital deficiency of $7,685,961 and an accumulated deficit of $15,669,857. The Corporation's ability to continue as a going concern is dependent on the successful completion of the waterflood program at the Red Earth CGU, successful closing of the acquisition (note 19), achieving profitable operations and the ability to refinance or repay current debt and access additional financing.

The following table outlines the contractual maturities of the Corporation's financial liabilities, including derivatives:

	Less than one year	1 - 3 years
Trade and other payables	$ 2,581,841	$ -
Derivative liability	15,391	-
Credit facilities	5,384,776	-
	$ 7,982,008	$ -

(iii) Market risk

Market risk consists of interest rate, foreign currency and commodity price risks.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk related to the Corporation's Credit facilities is limited due to the fixed rate.

Foreign currency risk
Management believes the foreign exchange risk from currency fluctuations relating to financial instruments held in foreign currencies is negligible. At December 31, 2017 and 2016, the Corporation held no foreign currency instruments.

Commodity price risk
The nature of the Corporation's operations results in exposure to commodity price fluctuations. The Corporation closely monitors commodity prices to determine the appropriate course of action to be taken by the Corporation. The Corporation does not hedge commodity price risk and has no physical forward price or financial derivative sales contracts as at or during the quarters ended March 31, 2018 or 2017.

During the quarter ended March 31, 2018, if production remained constant and the Corporation realized commodity prices changed by 10%, the Corporation's net loss would vary by $40,608.

14. Fair values and risk management *(continued)*

(iv) Capital management

The Corporation's policy is to maintain a strong capital base for the objectives of maintaining financial flexibility, to sustain the development of the Corporation's current capital projects and for future development of the Corporation. The Corporation monitors its working capital and expected capital spending and raises additional equity by the issue of share capital to manage its development plans.

The Corporation has no externally imposed capital requirements apart from the banking covenants on the Corporation's credit facilities (note 15). The Corporation continues to assess additional petroleum and natural gas projects and plans to raise additional debt or equity amounts as needed to fund acquisitions and to maintain sufficient working capital to meet administrative expenditures.

The Corporation considers its capital structure to be working capital and shareholders deficiency. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Corporation, is reasonable. There were no changes in the Corporation's approach to capital management during the quarter ended March 31, 2018. The Corporation's working capital deficiency at March 31, 2018 was $7,685,961 (March 31, 2017 – $6,920,683). The Corporation's shareholders' deficiency at March 31, 2018 was $1,916,136 (March 31, 2017 –$367,732).

15. Credit facilities

During the year ended December 31, 2015, the Corporation had an agreement with a financial institution for a revolving line of credit of $975,000 and a $200,258 non-revolving demand loan facility (the "Senior Lender Facilities").

On May 9, 2014, subsequently amended on June 9, 2015, June 12, 2015 and September 24, 2015, the Corporation entered into an agreement with a mezzanine financer for a credit facility subordinated to the Senior Lender Facilities, repayable on November 30, 2015 bearing interest at 12% (the "Mezzanine Financing").

On February 16, 2016, the Corporation restructured and consolidated its credit facilities. The Corporation's mezzanine financier (the "Lender"), consolidated the Corporation's Senior Lender Facilities with the Mezzanine Financing (the "Credit Facility"). The amendments to the Mezzanine Financing were deemed to be a substantial modification of terms. As such, the existing Mezzanine Financing was extinguished at its carrying value and the Credit Facility was recognized as a new liability at fair value. The difference between the carrying value of the original debt and the fair value of the modified debt was recorded as a gain on extinguishment of the Credit Facility in the amount of $14,137 in the statements of loss and comprehensive loss for year ended December 31, 2016.

On September 6, 2017, the Corporation amended the Credit Facility and obtained additional financing from the Lender. The amended Credit Facility ("Credit Facility A") has a maturity date of July 31, 2018 (changed from April 30, 2018) and an interest rate of 10% per annum. In the event of default, the interest rate increases to 19% per annum. Additional financing of up to $600,000 ("Credit Facility B") was extended by the Lender for the purpose of funding a waterflood project at the Corporation's Red Earth property. Credit Facility B has a maturity date of July 31, 2018 and has an interest rate of 12% per annum, increasing to 19% per annum in the event of default.

On March 27, 2018, the Corporation amended Credit Facility B to add additional security of a promissory note for $125,000 and to increase the sum of the first supplemental debenture to $7,500,000 from $4,000,000. The amount available under Credit Facility B has increased to $725,000 (from $600,000) and was to be used for the purpose of funding a waterflood project and paying outstanding property taxes at the Corporation's Red Earth property.

As at March 31, 2018, $4,627,525 (March 31, 2017 - $4,671,063) was outstanding on Credit Facility A and $537,600 (March 31, 2017 – nil) was outstanding on Credit Facility B.

Principal repayments on Credit Facility B are $30,000 per month commencing November 30, 2017, increasing to $50,000 commencing January 31, 2018. Principal repayments on Credit Facility A of $50,000 per month shall begin on the last day of the month following the repayment of Credit Facility B.

The Credit Facilities A and B (collectively, the "Amended Credit Facilities") are secured by promissory notes for $4,622,945 and $600,000, a $25,000,000 fixed and floating charge debenture, a general security agreement on the assets of the Corporation and a $4,000,000 debenture from the Corporation providing a security interest in all present and after-acquired personal property, a fixed charge on all the oil and gas assets and a floating charge over all other present and after-acquired real property.

15. Credit facilities *(continued)*

Participation fee

Per the terms of the Amended Credit Facilities, the Lender is entitled to a participation fee on the 2018 net revenues (defined as total revenues less royalties) up to a cumulative amount of $500,000. The participation fee is due on April 30, 2018.

Covenants

The Corporation is subject to the following covenants under the Amended Credit Facilities:

- A 1.0:1.0 current ratio;
- A Secured Debt to Trailing Cash Flow at or below:
  - 8.0:1.0 during the quarter ended June 30, 2016;
  - 6.0:1.0 during the quarter ended September 30, 2016;
  - 4.0:1.0 during the quarter ended December 31, 2016; and,
  - 3.0:1.0 during the quarter ended March 31, 2017 and thereafter.
- A corporate Licensee Liability Rating ("LLR") of 1.5 or greater; and,
- Maintain monthly sales production of 140 boe/day commencing April 30, 2016.

At March 31, 2018 and March 31, 2017, the Corporation was in breach of all the covenants except for maintaining an LLR of 1.5 or greater. As a result of the breach of covenants, the Corporation accrued interest at 19% from January 1, 2017 to December 31, 2017 amounting to $423,153 (December 31, 2016 - $278,588).

As a result of defaults relating to financial covenants and failure to make required principal repayments as required by the February 16, 2016 amendment to the Credit Facility, on September 8, 2017, the Corporation entered into a Forbearance Agreement and a Quitclaim with the Lender.

The Quitclaim provides for the transfer of title in the petroleum and natural gas assets and interests owned by the Corporation as satisfaction for all indebtedness and obligations to the Lender. In conjunction with the Quitclaim, the Corporation has also entered into a Forbearance Agreement that states that the Lender will refrain from enforcing the Quitclaim or any of the following rights until July 31, 2018:

- Terminate the Amended Credit Facilities;
- Cease to make available or extend any such Amended Credit Facilities;
- Accelerate payment of the Amended Credit Facilities; and,
- Appoint a receiver to manage the Corporation's assets.

Warrants

Pursuant to the terms of the February 16, 2016 amendment of the Credit Facility, the Corporation granted to the lender 333,333 Common Share purchase warrants with a term to expiry of two years and an exercise price of $0.15 per Common Share (the "New Warrants"). The terms of the New Warrants include:

- provisions that provide for a cashless exercise by the Lender;
- typical adjustment provisions to adjust the number of the New Warrants and the exercise price in the event of any share consolidation, recapitalization, reclassification, or similar transaction or reorganization of share capital; and,
- provisions allowing exercise in the event of any change in control, business combination or other transaction involving the Corporation.

The warrants issued pursuant to the June 9, 2015 amendment to the Mezzanine Financing were cancelled upon the issuance of the New Warrants

15. Credit facilities *(continued)*

The New Warrants contain a cashless exercise provision. As such, the New Warrants are considered a derivative liability and are required to be fair-valued at each reporting period.

The following table summarized the accounting for the Credit Facilities:

		Debt		Derivative liability		Total
Balance, December 31, 2015	$	3,332,023	$	3,521	$	3,335,544
Revaluation of derivative at February 16, 2016		-		10,593		10,593
Extinguishment of original credit facility		(3,332,023)		(14,114)		(3,346,137)
New Credit Facility		4,465,394		48,027		4,513,421
Additions to Credit Facility		17,027		-		17,027
Principal repayment		(25,000)		-		(25,000)
Unpaid interest added to Credit Facility		77,006		-		77,006
Accretion		136,636		-		136,636
Revaluation of derivative at December 31, 2016		-		(18,246)		(18,246)
Balance, December 31, 2016	$	4,671,063	$	29,781	$	4,700,844
Additions to Credit Facility A		6,217		-		6,217
Amounts advanced under Credit Facility B		417,180		-		417,180
Principal repayment		(30,000)		-		(30,000)
Accretion		131,066		-		131,066
Unpaid deferred fee added to Credit Facility A		74,250		-		74,250
Revaluation of derivative at December 31, 2017		-		(14,390)		(14,390)
Balance, December 31, 2017	**$**	**5,269,776**	**$**	**15,391**	**$**	**5,285,167**
Additions to Credit Facility A		-		-		-
Amounts advanced under Credit Facility B		175,000		-		175,000
Principal repayment		(60,000)		-		(60,000)
Balance, March 31, 2018	**$**	**5,384,776**	**$**	**15,391**	**$**	**5,400,167**

The accretion, interest and revaluation of derivative are charged to finance expense in the statements of loss and comprehensive loss.

The derivative financial liability was measured at fair value using the Black-Scholes valuation model, with the change to the fair value being recorded in finance expense as a gain on the derivative revaluation. The fair value of the derivative financial liability was determined using the following level 2 assumptions:

	December 31, 2017	December 31, 2016
Risk-free interest rate (%)	1.66	0.73
Expected life (years)	0.13	1.13
Expected volatility (%)	287	156
Expected dividends	-	-
Exercise price ($)	0.15	0.05
Share price ($)	0.13	0.05

Loss per share

The calculation of basic loss per share for the year ended March 31, 2018 was based on a weighted average number of common shares of 25,210,631 (March 31, 2017 – 20,496,079).

Diluted per share information is calculated by adjusting the weighted average number of common shares outstanding for the effects of potentially dilutive options. Loss per share on a diluted weighted average basis is the same as that presented for basic as all factors are anti-dilutive.

16. Related party transactions

During the quarter ended March 31, 2018, $20,000 (March 31, 2017 - $15,000) was expensed for legal services provided by a law firm of which a director of the Corporation is a partner. Included in trade and other payables at March 31, 2018 is $66,066 (March 31, 2017 - $88,934) owing to this law firm.

During the quarter ended March 31, 2018, management, consulting and engineering fees of $21,000 (March 31, 2017 - $30,000), included in general and administrative expenses, were charged by two officers of the Corporation and by a Corporation controlled by an officer. Included in trade and other payables at March 31, 2018 is $52,819 (March 31, 2017 - $14,000) owing to these officers.

The above transactions with related parties are in the normal course of business.

17. Commitments and contingencies

In September 2016, an industry partner filed a Statement of Claim issued by the Court of Queen's Bench of Alberta, by which the industry partner claims the Corporation failed to make payments on multiple invoices pursuant to several agreements between the parties. The Corporation has filed a Counter Claim to defend certain costs that were settled. The Corporation continues to work with the industry partner to agree on a settlement. The Corporation has included the contingency in trade and other payables at March 31, 2018.

18. Subsequent events

Acquisition

On March 21, 2018 the Corporation entered into an asset purchase agreement to acquire producing oil and natural gas wells in Southwest Saskatchewan and Eastern Alberta (the "Assets") from arm's length vendors for cash consideration of $4,500,000 (the "Agreement"). The Corporation is the lead on the transaction, but is supported by an arm's-length private Corporation participant (the "Participant") who will be responsible for 80% of the purchase price. The Corporation will assign its rights and obligations under the Agreement to the Participant and in exchange will be the operator of the Assets for a minimum period of 18 months from the date of closing and shall have a 20% working interests in the Assets. The Corporation will have an option to acquire 10% of the Assets for $1,250,000 within 18 months from the date of the Agreement.

To finance the Corporation's obligations under the agreement, the Corporation launched a non-brokered share private placement of 18,000,000 Common Shares at a price of $0.05 per share for aggregate gross proceeds of up to $900,000. On May 28, 2018 the Offering was over subscribed by 1,700,00 shares. Gross proceeds from the private placement are $ 985,000. A finders fee in cash was paid totalling $74,406 and in shares 120,000. Closing of the acquisition is on June 11, 2018.